

Testimony of Lael Brainard
Under Secretary of the Treasury for International Affairs
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Chairman Faleomavaega, Ranking Member Manzullo, and members of the subcommittee, thank you for the opportunity to discuss climate change finance and how it assists vulnerable countries.

Addressing climate change is one of the most critical policy imperatives of our time. Quantifiable data and qualitative experiences tell us we must act now to address it. In the absence of action to curb emissions, scientists project that global temperatures will rise several more degrees Celsius by the end of the century. And we can already observe today the growing impact of melting glaciers, rising oceans, endangered species, and increased pollution connected to a warming planet.

Each of these climatic and environmental impacts has a corresponding human cost. Water and food shortages can lead to hunger and conflict. Razed forests can threaten fragile and traditional populations. Rising oceans and constrained lands can motivate climate migrants. All of these and more can lead to energy and environmental shocks that exacerbate poverty and stymie health advances.

Increasingly, climate and development are two sides of the same coin. Those seeking a sustainable climate and broadly shared development must work with each other to succeed together—or risk failure apart. For choices surrounding climate will greatly determine the fate of the poor just as choices on the path out of poverty will greatly influence the fate of the climate.

In his National Security Strategy, President Obama highlights the national security imperative of global climate change, and notes that there is no effective solution to climate change that does not depend upon all nations taking responsibility. The Department of Defense also specifically addressed climate change in its 2010 Quadrennial Defense Review, citing it as a potential accelerant of instability or conflict. We must therefore act now and work in partnership to address these challenges. We must invest and engage globally and bilaterally to foster transition to a low-carbon growth trajectory and to support the resilience of the poorest nations to the effects of climate change.

This effort is central to Treasury's mission. We help develop, direct, and leverage the multilateral financial tools and international institutions that tackle these issues. Specifically, we focus on leveraging U.S. investments in partnership with other nations, finding innovative ways to finance actions necessary to help the most vulnerable adapt to climate change's irreversible effects, reduce emissions from deforestation, and use new energy technologies to generate clean economic growth.

Our investments in multilateral tools and institutions, such as the Global Environment Facility (GEF) and the Climate Investment Funds (CIFs), do just that in a way that is highly efficient for U.S. taxpayer dollars. By leveraging our contributions through these facilities, we maximize other donor contributions—nearly \$5 for every \$1 the U.S. contributes. Additionally, the funds themselves can further leverage other development bank, government, and private sector funds. For example, in the past year, the Clean Technology Fund (CTF), part of the CIFs, approved clean energy investment plans that blended \$4.3 billion of CTF money with other financing to mobilize total planned investments of over \$40 billion—leveraging nearly \$10 from other sources for each CTF dollar spent.

Today, I will focus on three main areas of Treasury's climate finance agenda that tackle the twin challenges of climate change and development: financing climate resilience, promoting low carbon development, and establishing and governing tools for action.

Financing Climate Resilience

Around the globe, the countries most vulnerable to the impacts of climate change are those that contributed least to the problem and have the least capacity to respond. Many lack the financial resources and know-how to strengthen their resilience against the effects of climate change, even as they remain on the front lines of environmental changes. To help these nations prepare and adapt successfully, one of the primary policy priorities of the United States must be to help these countries "climate proof."

Through multilateral climate fund investments, we are addressing these priorities collaboratively and in concrete ways. In Cambodia, where extreme climate events such as floods and droughts are having increasingly adverse impacts and are now recognized as one of the main contributors to poverty, a program is under development to help stabilize and sustain livelihoods. This program will provide more accurate weather forecasting and reliable early warning flood systems, which will be critical to the social and economic development of the people living in the coastal regions as well as the floodplains and communities of the Mekong River Delta.

And in the Pacific Islands, which are considered by many to be a "bellwether" of climate change, nearly \$60 million has been mobilized by the CIFs, to help governments integrate climate resilience and risk management into their economic and social policies. Through a focus on coastal and water management, as well as food security and production, the project is helping countries establish the local knowledge and capacity to adapt their infrastructure and prepare their communities.

Through these programs and other multilateral financing efforts, we are intensely working to strengthen resilience by pursuing innovative approaches, such as infrastructure investments to reduce risks from flooding and sea-level rise, and improvements in forest management and land-use planning to reduce carbon emissions and protect biodiversity. The Pilot Program for Climate Resilience (PPCR), within the CIFs, is exploring how we might integrate climate adaptation into core development planning in a number of the poorest countries and regions, including the South Pacific, Bangladesh, Cambodia, and the Caribbean. Lessons from this pilot program can inform the design of scaled-up investments in the future.

Promoting Low-Carbon Development

In addition to strengthening the resilience of the most vulnerable countries, we must also help them satisfy their economic growth needs while reducing the emissions and environmental impacts that have been associated with traditional development paths. Their communities must be able to seek sustainable livelihoods from forests while protecting biodiversity and carbon stocks. And their governments must be able to invest in and promote the clean technologies necessary to power modern economies.

Sustaining Forests and Protecting Biodiversity

Emissions from deforestation constitute about 17 percent of global greenhouse gas emissions and must be addressed if we are to successfully address climate change. Forests also play a vitally important role in the livelihood of people living in and around them in low-income countries. Through our low-carbon development efforts, we must find ways to improve forest management and address the drivers of deforestation while also supporting the economic development of local people.

Rwanda offers a good example of the positive impact of this type of effort. There, the Global Environment Facility's projects focus on protecting the Volcanoes National Park and Nyungwe National Park, both recognized sites of global importance for their biodiversity and forests, and help to build the capacity of local and national government to manage development activities next to these protected sites, while strengthening long-term protection and adaptation for local communities.

Additionally, Treasury helped to create the Forest Investment Program (FIP), also in the CIFs, in order to enhance the mitigation potential of forests in combating climate change. FIP addresses the key underlying causes of deforestation and builds on existing country readiness efforts to achieve net emissions reductions from deforestation. FIP programs focus on forest governance, forest mitigation measures, sustainable management of forests and landscapes, and on reducing deforestation drivers outside the forest sector in countries, such as Ghana, that are highly dependent upon their forest-related natural resources.

The United States also pursues the goal of protecting forests through the Tropical Forest Conservation Act, which allows eligible low- and middle-income developing countries with significant tropical forests to redirect certain official debt owed to the United States towards local, in-country conservation activities. Last year, we concluded an agreement with Indonesia, which will reduce the country's debt payments to the United States by nearly \$30 million over eight years. Instead of paying off debt, those resources can be used to provide conservation support to Sumatra; beyond its impact on emissions, this will also help to support the habitat of many rare or endangered mammal, bird and plant species, including the Sumatran tiger, elephant, rhino, and orangutan.

Promoting Clean Energy

In the area of clean energy, multilateral funds are focused on spurring the development and deployment of a variety of technologies—including energy efficiency, wind, solar, and geothermal—that will help to curb the growth of greenhouse gas emissions and provide the clean energy jobs of the future.

The Clean Technology Fund, one of the CIFs, is advancing our low-carbon development agenda by helping to close the price gap between cleaner, transformative technologies and dirtier, conventional alternatives. The program's financing products are used to attract funds from other sources—such as the multilateral development banks, governments, and especially the private sector—in order to spur large-scale investment in clean energy, energy efficiency, and sustainable transport. By mobilizing this additional capital, the fund leverages nearly 10 times the initial investment for projects. Through a blend of targeted interventions, strong country leadership, and multilateral development bank expertise, the CTF is leading the way in the global shift towards clean energy.

The wind farm development ongoing in Mexico's Oaxaca region is one example of the strength of this program. In May 2009, the fund approved a small, but long-term loan for a 67.5 megawatt private-sector wind farm. The loan attracted commercial lenders because it offset the high costs of obtaining long-term financing and mitigated any perceived risks held by commercial lenders. By providing this initial investment, the CTF is helping to catalyze wind energy development in Mexico.

Indonesia's work with the GEF and the CIFs is another testament to the impact of these efforts. For decades, Indonesia held the world's largest potential for geothermal power but it was largely unsuccessful in promoting its development. Through the work of these two programs, one addressing the policy and investment environment, and the other mobilizing financing for large-scale demonstration projects, Indonesia is now on the way to unlocking nearly a gigawatt of this valuable renewable resource in the next few years for use as base load energy.

The Program for Scaling-Up Renewable Energy in Low-Income Countries, another one of the CIFs, began operations in February 2010, focusing on clean energy in the most vulnerable countries. It helps a small number of the poorest countries in their efforts to expand energy access and increase economic growth through the scaled-up deployment of renewable energy solutions. This program will help foster government support and know-how for the creation of markets for renewable energy, development of the right incentives for private-sector investment, and maximization of the productive use of renewable energy in support of broad country development goals.

Building Co-benefits: Resilience and Low-carbon Development

Among the many benefits of strengthening resilience while also promoting low-carbon economies is that economic and social development occur in tandem. Cleaner, more efficient energy infrastructure improves health and agriculture. Improved resilience promotes increased economic investment. And projects that protect forests and other critical environmental areas also help protect communities, and can improve a country's focus on education, gender equality, and capacity building at both national and local levels.

Establishing and Governing Tools for Action

Treasury plays an important role in helping to design, leverage, and govern the multilateral financial tools and institutions that address climate change around the world. Through leadership in the multilateral development banks (MDBs), and by representing the United States in the negotiation and development of new multilateral climate funds, we have pursued innovative agendas with a tight focus on maximizing results for taxpayer dollars and for the most vulnerable nations.

We developed multilateral climate programs that are particularly important to our efforts to help the most vulnerable nations because of their collaborative approach. These MDB climate programs leverage contributions from other donors, make capital investments in infrastructure, provide a range of tailored financial products, engage in long-term policy dialogues with recipient countries, and work across a large number of nations. Multilateral assistance also promotes institutional structures governed jointly by developed and developing countries. These structures are needed to ensure a coordinated global response to climate change, and our participation enhances U.S. credibility with our international partners. In fact, multilateral assistance gives the United States additional legitimacy in international negotiations because of the cooperative and inclusive nature of the investments.

To further the impact of the multilateral climate funds, Treasury actively promotes and pursues reforms and innovations at the funds. For example, Treasury played a critical role in the design and oversight of the two parts of the CIFs: the Clean Technology Fund and the Strategic Climate Fund, both of which seek to drive transformational change in developing countries by channeling scaled-up climate financing through the MDBs.

Through U.S. leadership and engagement, we helped incorporate several groundbreaking characteristics that will make the funds more effective at addressing climate needs than traditional development channels. Specifically, innovations include adopting country-owned plans, instituting flexible financing mechanisms, establishing partnerships with the private sector and civil society organizations, initiating equal representation between contributor and recipient countries, enhancing a strong focus on results and impact evaluations, and developing cross-MDB governance, which creates both cooperation between MDBs and healthy competition.

It is through our active participation in and contribution to these funds that the United States sustains its ability to help the funds innovate and reach more people. That is why our financial commitment to these funds, including the \$830 million total requested in the President's FY11 Budget, are critical to our long-term capacity and capability to address climate change in our lifetimes. This Congress has proven to be a key partner in achieving these goals.

In addition, because the MDBs are the largest source of development finance in the world and therefore are centrally positioned to play a critical role in addressing the climate challenge in developing countries. They have fiduciary, procurement, and social and environment safeguard policies that are the best in the world. And their funding models provide significant leverage to U.S. investments as they incorporate existing MDB resources, and transform overall portfolios into cleaner and more sustainable projects.

Through our efforts on their boards, the MDBs are rapidly working to mainstream climate change considerations into their core lending portfolios. This is perhaps most evident in the more than tripling in the World Bank's lending for renewable energy and energy efficiency over the last five years—from \$1 billion a year to nearly \$3.5 billion a year. Included in this scale-up is an incredible twenty-fold increase in concessional International Development Association (IDA) investments in these sectors in the very poorest, low-income countries. The African Development Bank is moving forward with “climate proofing” of its current portfolio of projects, at an estimated cost of \$800 million. We have also worked to encourage clean energy lending by providing guidelines on coal projects and through comments on the World Bank Energy Strategy.

Treasury works hard to ensure these multilateral investments complement U.S. bilateral programs. Together, this coordination and collaboration increase the impact we have from our investments around the world.

And, working collaboratively with our colleagues throughout the Federal Government, we continue to look for innovative ways to generate and deliver additional financing for the most vulnerable nations, as set out in the Copenhagen Accord. This includes advancing our priorities in the UN High Level Advisory Group on Climate Finance and working to design the Copenhagen Green Climate Fund, building on our experience and innovations in the GEF and CIFs.

A Common Agenda

In conclusion, we have a robust agenda ahead as the United States takes concrete action to aid the most vulnerable at the same time as we safeguard our own climate future. The Administration is committed to continuing international leadership on climate finance, as evidenced by President Obama's efforts in negotiating the Copenhagen Accord. From a joint commitment with developed countries to approach \$30 billion in fast start funding over three years, to working together to mobilize a goal of \$100 billion in public and private funding annually by 2020 in the context of meaningful mitigation actions and transparency on implementation, the United States is partnering with other countries to make a difference.

As we continue to address the climate change challenge, we must grapple with the need to safeguard taxpayer funding, develop stable sources of financing for developing countries, and establish incentives to promote climate resilience and green growth, all while tackling the twin challenges of climate change and development for the poorest.

We look forward to working with this subcommittee to develop additional solutions and leverage resources effectively to meet the climate change imperative.

Thank you.